

## **TIF RENTAL REHAB PROGRAM (TRRP) PROGRAM GUIDELINES**

### **TIF Rental Program was adopted by Quincy City Council 6/30/15**

Funds from the City's Tax Increment Finance (TIF) Program would be set aside and dedicated as a financial incentive to owner(s) of existing buildings located in the Downtown TIF Districts (see attached TIF District Map) for the renovation of market rate residential rental housing. The goal is to encourage private investment in renovation of vacant upper floor residential properties. Stimulating more residential development in the downtown would result in improving deteriorated buildings and increased property values which enhance future tax revenues.

Eligible units must be tenant occupied and not owner-occupied. TIF funds would be leveraged with owner funds (cash and/or loan.) Project timeliness is essential. Owner(s) will be given one year, commencing from the date of the notice of approval to purchase all required permits and complete the improvements shown in the approved specifications. **TIF funds will only be used for cost of material that will be permanently affixed to real estate plus cost of associated labor.** TIF funds will not be used for acquisition of property or for purchases of items that are not permanently affixed, such as furniture, appliances, etc. TIF funds and owner leveraging funds will only be applied to the rehabilitation of an existing structure and cannot be used for new construction.

**Eligible Properties:** Properties must be privately owned and located in a TIF District. The property must have at least the entire ground level floor space devoted to commercial use. Applications will be accepted for a single-site property identified by one tax identification number. Multiple applications may, however, be submitted by one owner/business.

**Forgivable Loan/Grant:** The Program will provide zero interest loans for fifty-percent (50%) of the eligible project costs up to a maximum of \$25,000.00 per rental unit with the balance of the project cost paid by the owner.

**Owner Match/Leveraging:** Owner/developer must provide matching funds in an amount equal to or exceeding TIF funds sufficient to cover the balance of the project cost. Owner may use private funds or bank loan. Owner funds must be submitted prior to execution of program contracts. Match funds will be deposited in a city-administered escrow account and will be first fully used prior to disbursement of TIF funds. Funds will be disbursed on a reimbursement basis for work completed and inspected. Owner must provide receipts and/or paid invoices for eligible purchases of material and labor. All pay requests must be accompanied with associated lien waivers.

Loans received by the owner from the Central Business District Revolving Loan Fund Program (CBD RLF) for property acquisition shall not be accepted as match for the TIF Rental Rehab Program. In addition, funds provided by owners as match for the renovation under the CBD RLF program must exceed the renovation match requirements in order to be used for match for the TIF Rental Rehab Program.

**Loan Terms and required Compliance Standards:** A loan will be provided in the form of a zero percent interest, deferred forgivable loan. A deferred forgivable loan does not require periodic repayment. If

owner maintains the units in code compliant condition and does not sell, transfer or convert the property, the loan is forgiven after five years. If the property is sold or transferred during the term, or the ground level is converted to a non-commercial use, the loan must be repaid in its entirety. Properties will be inspected annually to assure property maintenance standards and building codes are maintained and that units are occupied or advertised.

**Property Taxes:** The TIF Rental Rehab Program exists because of property taxes revenues generated from real estate improvements within the TIF District. Property owners receiving TRRP funds for building improvements shall agree to not file an appeal of the property(s) assessed value to the Adams County Board of Review during the five year compliance period.

**Property Insurance:** Evidence of sufficient insurance coverage must be provided at the time of application. Owner must keep the property and improvements sufficiently insured against loss by fire or any other hazard during the term of the compliance period. All such policies of insurance will be from such companies and in such form and amounts as may be satisfactory to the City and will name the City as a loss payee and will include a provision requiring thirty days advance written notice to the city prior to the termination or modification of such policy.

**Program Fees/Costs:** Owner will pay origination fee of one one-half percent of the loan amount plus an annual loan servicing fee of One-percent (1%). Owner will also pay for project soft costs, including legal services, title verifications, document preparation and recording fees.

**Loan Documents:** Program documents include:

Mortgage to secure the property as collateral for the TIF loan/grant.

Promissory Note defines the terms of the repayment of TIF funds.

Regulatory/Recapture Agreement sets forth the terms of compliance required during the term of the TIF loan.

The above-listed program documents will be filed following loan closing.

**Application:** Applications will be available in the Quincy Department of Planning & Development. Owner may submit a completed application for a single property identified by one property tax number, along with supporting documents, including: Evidence of ownership, current property taxes and mortgage payments (if applicable) and sufficient property insurance. In addition, **Owner will provide evidence of financial capabilities to undertake project in the form of a bank's credit memorandum for a loan; or if financing is not required, then proof or verification of deposits acceptable to the review committee.** A Title Opinion will be obtained at owner's expense to verify clear title. Application requires project detail, including building plan and detailed preliminary specifications with cost estimates of material and labor and a project budget. Owner must submit list of contractor/subcontractors with copies of appropriate licensing and insurance.

**Business Plan:** A business plan must be provided verifying project financial feasibility. Plan should include a three-year financial projection of revenue, project costs, mortgage service, etc. (If bank financing is involved, this may be included in the bank's loan write-up documents.)

**Property Inspection and Evaluation:** Selected projects would require an initial site inspection by city building officials, City Fire Department and TIF administrator, to assess the structural soundness of the entire property. In the event said inspectors have cause to believe that an unsafe condition exists, or that the minimum load requirements of the code may not be met, a further investigation and evaluation shall be required in order for the project to remain in consideration. The owner, then, shall cause the existing building to have a structural analysis made by a licensed structural engineer or architect to determine adequacy of structural systems for the proposed alterations.

Based on initial inspections, a detailed list of deficiencies including code violations will be prepared for use in preparing final draft of project specifications and cost estimates.

Prior to application being presented to the TIF Review Committee, construction documents shall be submitted to the City Building Official and shall be of sufficient clarity to indicate the location, nature and extent of the work proposed and show in detail that it will conform to the provisions of the Building Code and relevant laws, ordinances, rules and regulations, as determined by the Building Official. The applicant shall further obtain from the Building Official a letter of approval of the construction documents, stating that the project has been reviewed for code compliance and that a permit may be issued upon the filing of an application for permit. A review of the final draft plan and cost estimates will be scheduled with the City inspectors, Fire Department and TIF administrator, to assure all deficiencies are adequately addressed and to confirm project cost reasonableness. Code violations will be a priority and termite inspections are required.

City inspectors will also provide project oversight and inspections during the project. Inspectors will also conduct annual inspections upon project completion to assure compliance.

**Historic Review:** Specifications must comply with downtown zoning district design standards.

**Administration:** Program would be administered by the Quincy Department of Planning & Development.

**Project Selection:** A Housing TIF Committee (appointed by Mayor) consisting of aldermen, the City Treasurer, the Executive Director of The District, along with the Mayor and/or City Administrator will be authorized to review applications to assure project meets goals/objectives of the program and to verify sufficient financial resources to complete the project. Rating criteria evaluating the financial feasibility of the proposed project will be established (i.e. amount of investment, leveraging ratio of private to public dollars, rate of return, development of new rental housing units versus renovation of existing units and impact on downtown). The Committee will submit recommendations to the City Council for final approval and funding authorization.

**Contractor Eligibility.** Owner must submit list of contractors and subcontractors along with evidence of licensing for the trade and sufficient insurance.

**Program Agreements:** City will use standard agreement documents to assure city liens are sufficiently secured and to assure owner compliance during loan term. Loan documents would include note, mortgage, and Recapture Agreements setting forth the terms of program compliance.

**Project Set up:** City funds will be committed for approved budget amounts for selected projects. Owner(s)' matching funds will be assessed based on total eligible projects costs of material and labor and must be provided prior to or at the time of closing. Leveraging funds will be deposited in city escrow account and will be the first source of payment for eligible project costs incurred by owner/developer, with city funds being disbursed thereafter on a "reimbursement" basis for costs paid by the owner/developer. All pay requests must be first approved by a city inspector. Owner must submit written, detailed statement for eligible costs of material and labor along with all pertinent lien waivers. A pre-construction conference will be conducted with the owner, contractors, city inspectors and administrative staff prior to proceeding with the project.

**Tax Obligation:** Tax increment financing may be structured as a grant, a contribution to capital, or as a debt obligation. Different tax consequences result from the treatment of the program. The City's TIF Program is intended to create a debt obligation. The City makes interest free loans to eligible property owners for the rehabilitation of rental properties located in the Downtown District. Participant executes a promissory note which is secured by a mortgage or lien on the real estate being improved. The loan must be repaid unless certain events occur. Where a debt is forgiven, the cancellation of the debt is to be reported to the IRS. Accordingly in the year of cancellation, the City issues the participant an IRS Form 1099-C (Cancellation of Debt). The participant must determine if the amount forgiven is subject to income taxes. In general, cancellations of debt must be reported as income but there are some limited exceptions and circumstances. The city recommends consulting with an accountant and/or tax preparer on the tax obligations associated with receipt of city forgivable loan.